

Message Text

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ORIGIN AGR-08

INFO OCT-01 EUR-12 IO-11 ISO-00 FEA-01 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS PRIORITY

INFO USDEL MTN GENEVA

AMEMBASSY BONN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY COPENHAGEN

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E.O. 11652: N/A

TAGS: ETRD, EAGR

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SUBJECT: EC TROPICAL PRODUCTS OFFER ON TOBACCO

REF: A) EC BRUSSELS 01484 B) EC BRUSSELS 01600
C) ROME 2505

1. AFTER FURTHER STUDY OF EC PROPOSED GSP OFFER ON TOBACCO, REVIEW OF REFTELS, AND CONSULTATIONS WITH AGRICULTURAL TECHNICAL ADVISORY COMMITTEE ON TOBACCO, WE BELIEVE MISSION SHOULD MAKE FURTHER HIGH LEVEL REPRESENTATION TO THE COMMISSION ALONG THE FOLLOWING LINES:

2. U.S. CONTINUES TO OPPOSE USE OF GSP TO MEET TROPICAL PRODUCTS MTN OBLIGATIONS FOR REASONS PREVIOUSLY STATED AND WELL KNOWN TO COMMISSION. EXTENSION OF EC PROVISIONS FOR TOBACCO UNDER GSP REPRESENTS FURTHER DETERIORATION AND IMPAIRMENT OF HARD-WON MFN CONCESSION IN THE RECENT XXIV.6 NEGOTIATIONS.

3. WE ARE CONCERNED THAT THIS ACTION WILL ONLY FURTHER COMPLICATE AN ALREADY DIFFICULT SITUATION IN TRADE FIELD. COMMISSION PRESIDENT ORTOLI IN HIS JUST COMPLETED VISIT HERE MADE CLEAR HIS VIEW THAT DESPITE ECONOMIC UPTURN, STRONG PROTECTIONIST PRESSURES WERE LIKELY TO PERSIST AND

MUST BE RESISTED. AS COMMISSION IS AWARE, TOBACCO IS HIGHLY SENSITIVE US EXPORT. IF EC PROCEEDS AS PLANNED U.S. TOBACCO TRADE LIKELY TO SEEK ACTION AGAINST EC THROUGH SECTION 301 AND COUNTERVAILING DLTIES ON ITALIAN TOBACCO EXPORTS TO THE UNITED STATES. OVERALL RESULT WOULD BE EROSION OF OUR JOINT EFFORTS TO MANAGE BILATERAL TRADE PROBLEMS.

4. NOTWITHSTANDING ABOVE POINTS IF EC DETERMINED TO PROCEED WITH GSP PROPOSAL, MISSION SHOULD SUGGEST THAT POTENTIAL TRADE DAMAGE AND POLITICAL PRESSURES MAY BE MITIGATED BY FOLLOWING MODIFICATION:

A) ELIMINATING THE PROPOSAL TO EXTEND GSP TO 24.01 A, OR ALTERNATIVELY BY PUTTING ALL TOBACCO IMPORTED UNDER GSP (24.01 A AND 24.01 B) UNDER THE SAME 50,000 TON QUOTA NOW PROPOSED FOR 24.01 AND LIMITED OFFICIAL USE

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B) PROVIDING POSITIVE ASSURANCE THAT THE EC WILL PUT TOBACCO ON THE TABLE FOR NEGOTIATION OF FURTHER MFN CONCESSIONS.

5. OTHER SUGGESTIONS IN REFTEL B RELATING TO CHANGES IN THE VALUE OF THE TOBACCO AFFECTED, OR CHANGES IN THE METHOD OF CALCULATING THAT VALUE, NOT REGARDED AS

HELPFUL IN VIEW OF THE CONTINUING CHANGE IN TOBACCO
PRICES AND OFFSETTING EFFECTS OF DIFFERENCES IN EC
MEMBER STATE VALUATION PRACTICES. INGERSOLL

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